





# Benefit Design Changes

---

- Why:
  - Provide members with an incentive to obtain care at the right time, in the most clinically beneficial, cost-effective setting
  - Standardizes benefits for some services
  - Benefits the majority of members through premium reductions
    - 2005 Survey of Subscribers Who Changed Health Plans - provider co-payments
- Why now:
  - Board decision will impact rates for 2008



# Design Proposal: HMO Basic

---

- Office visit co-pay from \$10 to \$15, waive co-pay for preventive care
  - Early detection of chronic disease
  - Opportunities to educate members about living a healthier life



# Design Proposal: HMO Basic

Impact Analysis for:  
\$15 Office Visit Co-payment

	% Premium Impact	2007 Total Program Savings*	2007 Annual Family Premium Savings (State 80/80)**	Service Breakeven Point	Average # Services per Member
Blue Shield	-1.39%	\$20,553,048	\$42.52	8.50	5.12
Kaiser	-1.19%	\$17,578,794	\$23.62	4.72	
WHA	-1.70%	\$1,411,408	\$30.64	6.13	
<b>Employer Savings (80/80)</b>		\$31,634,600			

\* Based on CalPERS 2007 Expenditures Basic Report.

\*\* Total employee savings if all members received State 80/80 employer contribution rate; based on family premium.



# Design Proposal: HMO Basic

Impact Analysis for:  
\$15 Office Visit Co-payment and No Co-payment for Preventive Care

	% Premium Impact	2007 Total Program Savings*	2007 Annual Family Premium Savings (State 80/80)**	Service Breakeven Point	Average # Non- Preventive Services per Member
Blue Shield	-1.10%	\$16,265,002	\$33.65	6.73	4.46
Kaiser	-0.71%	\$10,488,188	\$14.09	2.82	
WHA	-1.12%	\$929,869	\$20.19	4.04	
<b>Employer Savings (80/80)</b>		\$22,146,447			

\* Based on CalPERS 2007 Expenditures Basic Report.

\*\* Total employee savings if all members received State 80/80 employer contribution rate; based on family premium.



# Design Proposal: HMO Basic

---

- Standardize out-of-pocket maximum \$1,500/\$3,000, excluding pharmacy
  - Provides equity across plans (Kaiser and WHA currently provide this benefit)



# Benefit Design Proposal: HMO Basic & PERS Choice Basic

---

- Emergency room co-pay from \$50 to \$75 (waived if admitted), standard HMO urgent care co-pay of \$15 (\$20 PERS Choice)
  - CHCF 2006: Avoidable ER use by insured and uninsured
  - 2006 CalPERS Health Plan Member Satisfaction Survey: Between 48 and 59 percent of CalPERS members use ER for non-life threatening reasons (plan dependent)
  - 91 percent of members live within 30 miles of urgent care
- Changes behavior by educating and providing incentives



# Benefit Design Proposal: HMO Basic & PERS Choice Basic

Impact Analysis for:  
\$75 Emergency Room (waived if admitted) &  
\$15 Urgent Care Co-payment for HMO (\$20 PERS Choice)

	% Premium Impact	2007 Total Program Savings*	2007 Annual Family Premium Savings (State 80/80)**
<b>Blue Shield</b>	-0.28%	\$4,140,182	\$8.56
<b>Kaiser</b>	-0.13%	\$1,920,372	\$2.58
<b>WHA</b>	-0.42%	\$348,701	\$7.57
<b>PERS Choice</b>	-0.10%	\$917,668	\$3.51
<b>Employer Savings (80/80)</b>		\$5,861,539	

\* Based on CalPERS 2007 Expenditures Basic Report.

\*\* Total employee savings if all members received State 80/80 employer contribution rate; based on family premium.





# Design Proposal: HMO Basic & PERS Choice Basic

---

- Pharmacy co-pay:
  - Retail: \$5 generic, \$15 brand, \$45 non-formulary to \$5/**20**/45
  - Mail order: \$10/25/75 to \$10/**40**/**90**
  - Kaiser: \$5/15 to \$5/**20**
- Encourages use of generics
- Continues to provide co-payment savings through mail order



# Benefit Design Proposal: HMO Basic & PERS Choice Basic

Impact Analysis for:  
\$5/20/45 Retail & \$10/40/90 Mail Order\*

	Service	% Premium Impact	2007 Total Program Savings**	2007 Annual Family Premium Savings (State 80/80)***	Service Breakeven Point	Average # Services per Member
<b>Blue Shield</b>	Retail Brand:	-0.92%	\$13,603,456	\$28.14	5.63	2.65
	Mail Order Brand & Non-Preferred:	-0.15%	\$2,217,955	\$4.59	0.31	0.30
<b>Kaiser</b>	Retail Brand:	-0.44%	\$6,499,722	\$8.73	1.75	1.08
<b>WHA</b>	Retail Brand:	-0.65%	\$539,656	\$11.72	2.34	NA
	Mail Order Brand & Non-Preferred:	-0.47%	\$390,213	\$8.47	0.56	NA
<b>PERS Choice</b>	Retail Brand:	-0.16%	\$1,468,269	\$5.62	1.12	2.67
	Mail Order Brand & Non-Preferred:	-0.69%	\$6,331,909	\$24.24	1.62	1.66
<b>Employer Savings (80/80)</b>			\$24,840,944			

\* Maintain \$30 at retail & \$45 at mail order for plan -evaluated medically necessary non-preferred brand drugs.

\*\* Based on CalPERS 2007 Expenditures Basic Report.

\*\*\* Total employee savings if all members received State 80/80 employer contribution rate; based on family premium.

**Health Benefits Branch**



# Benefit Design Proposal: HMO Basic & PERS Choice Basic

Basic Plan	2007 Annual Benefit Design Options Savings			
	Office Visit	Emergency Room and Urgent Care	Pharmacy	Total Savings
Blue Shield	\$16,265,002	\$4,140,182	\$15,821,411	\$36,226,596
Kaiser	\$10,488,188	\$1,920,372	\$6,499,722	\$18,908,283
WHA	\$929,869	\$348,701	\$929,869	\$2,208,438
PERS Choice	No Change	\$917,668	\$7,800,178	\$8,717,846
Total Savings	\$27,683,059	\$7,326,924	\$31,051,180	\$66,061,163

Note: May not add across rows due to rounding.



# Path Forward

---

- If the HBC approves benefit design changes:
  - Incorporate benefit design changes into rate negotiation process
  - Implement a communication plan to educate members about the changes